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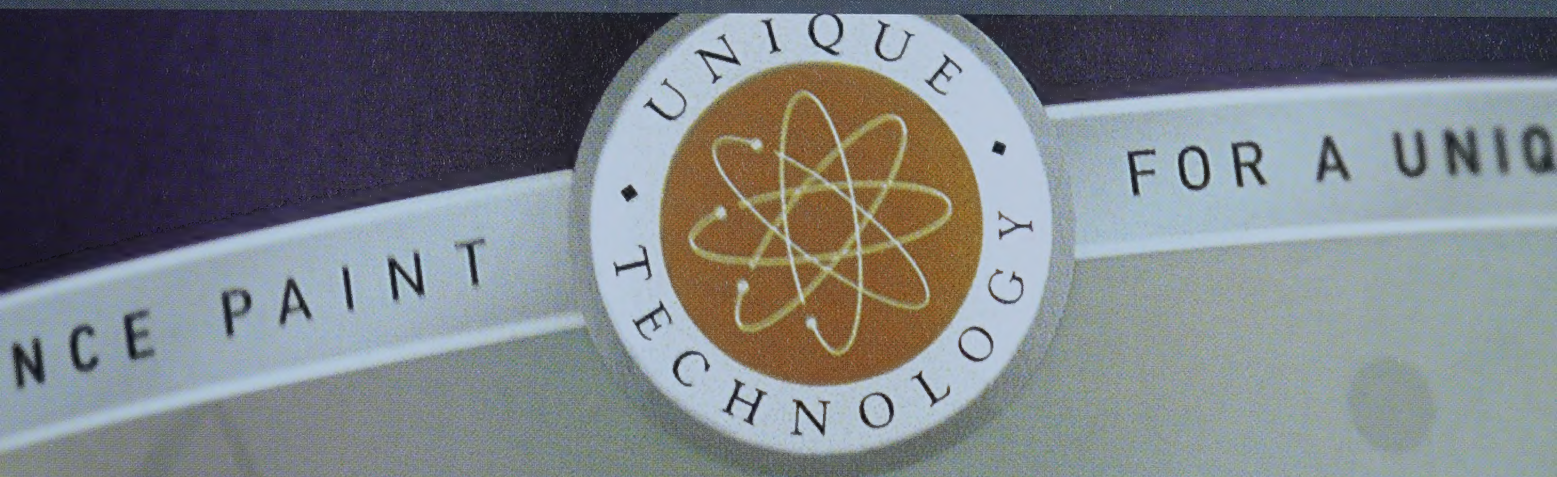
evolution



2001 Annual Report

innovation

SICO remains at the avant-garde of its industry with its innovative marketing concepts and the development of high-performance, environmentally friendly products based on cutting-edge technologies.



Chamois

*Kitchens, Bathroom
Doors and Trim*

acquisitions

SICO accelerates its growth in North America and Europe in the architectural and industrial coatings markets with a series of targeted acquisitions started in December 2000, adding more than \$40 million to its annualized sales.



inspiration

SICO reaffirms its role as a trend-setter and leader in the world of colour, guiding consumers toward the latest trends in architectural paint.



expansion

SICO expands its presence at the international level by developing and acquiring leading-edge technologies in the field of industrial metal coatings for the railway, aerospace, heavy transportation and specialized equipment sectors.



vision

SICO fine-tunes its strategic approach to focus on two main objectives:

- 1 › to become the largest architectural paint company in Canada**
- 2 › and one of the leading world suppliers of value-added metal coatings for the transportation industry.**

Profile → Sico Inc. (ticker symbol: SIC / TSE) is the second-largest manufacturer of architectural paint in Canada and the leading Canadian-owned company in this sector. Sico is also a world-class supplier of metal coatings for the transportation industry. Sico operates six plants in Québec and Ontario and has close to 1,000 employees.

With 65 years of experience in the architectural coatings market, Sico offers a full range of paints, stains, varnishes, caulking and related products that are recognized for their high quality and performance. Sico's products in the **architectural sector** are marketed through three different distribution channels:

→ Sico reaches consumers across Canada through major retail chains and specialty stores where the Company's products are sold mainly under its own brand names, and some retail customers' private labels.

→ In Québec and Ontario, Sico's Professional Sales sector provides specialized products and services for professional painters, maintenance managers of industrial and commercial buildings, architects, designers, and contractors for major construction and renovation projects.

→ Through its subsidiary, Bétonel Ltée, Sico operates a network of 68 wholesale/retail architectural paint stores located mainly in Québec, offering *Bétonel* brand paints and related products for professional painters, building managers, and consumers. Sico also owns 12 retail stores in the Boston area under the Hancock banner.

Sico's **industrial sector** specializes in the development and world-wide marketing of high-performance, environmentally friendly metal coatings technologies for the railway, aerospace, heavy transportation and specialized equipment industries. This rapidly growing, high-potential business unit is strategically established in Canada, the United States, Mexico and Europe.



from the Chairman of the Board

Letter

As the Company prepares to celebrate its 65th anniversary, we are very proud to present our shareholders with this report of a watershed year for Sico Inc.: a year of expansion, innovation and increased profitability.

Despite the economic slowdown and stagnant demand for architectural paint, Sico once again posted a very solid financial performance in 2001. Sales increased 9%, while net earnings rose 14% to \$8.6 million or \$1.66 per share, which amounts to a 14% return on equity. During the past five years we have upheld our commitment to shareholders by achieving an average annual return on equity of over 15%. This allowed Sico to rank 162nd for corporate performance in the list of 1,000 top Canadian companies compiled by The Globe and Mail's *Report on Business Magazine*, published in July 2001.

True to a tradition that has lasted nearly seven decades, Sico again made its mark as a leader in the world of colour and continued to enhance its brand image by means of unique marketing concepts and the development of new value-added products. Last year, we also clarified our vision of the future and our strategic objectives, and made some definite strides towards achieving them with three new acquisitions: the public transit and rail coatings business of Manufacture Blancommé de couleurs vernis et produits chimiques S.A. ("Blancommé"), acquired by our European joint venture, Sico-Becker S.A.S.; the interest held by our partner in the Mexican company, Pinturas Industriales Sicorel S.A. de C.V.; and lastly, Quebec-based architectural paint manufacturer and retailer, Bétonel Ltée. This expansion strengthens our leadership in the architectural and industrial coatings sectors and, together with the integration of the metal coatings business of Chemcraft International, Inc. acquired in December 2000, adds more than \$40 million to our annual sales volume. Starting in 2002, these acquisitions will also make a substantial contribution to our profits.

Over the past few years, and particularly in 2001, we have implemented a structure that will promote growth, profitability and the creation of value for our shareholders, customers and employees. When Irénée and Arthur Sicard produced the first gallon of the paint they named *SICO*, little did they know that from those humble beginnings, the *SICO* name would become an industry benchmark in Canada and around the world, and that Sico would grow into what it is today: an international company employing close to 1,000 people in Canada, the United States and Mexico.

Jean-Paul Lortie
Chairman of the Board

March 2002

As the new fiscal year begins, a year that will very likely be one of the best in the Company's history, I would like to thank Sico's shareholders for their confidence and to reaffirm our organization's commitment to the values of quality and performance which will continue to guide the Company to new heights. I would also like to make special note of the excellent work of Sico's management and employees, and to express my gratitude to my colleagues on the Board of Directors for their invaluable contribution.

message

from the President and Chief Executive Officer

Early in fiscal 2001, we proceeded with an in-depth strategic analysis of Sico's current position and growth potential. The outcome of this process has been a sharper focus on the following two objectives: to become Canada's largest architectural paint company, and one of the world's leading suppliers of value-added metal coatings for the transportation industry.

Faced with the relative maturity and growing consolidation of the architectural paint industry, both upstream and downstream, if we are to keep enhancing the value of the Company, we must always find new ways of selling our products and building our critical mass, so as to maintain a growth rate above the industry average, increase our purchasing power, and create economies of scale. This is what we have done in the past year through the launch of new marketing concepts and a series of targeted acquisitions in our core markets.

In the architectural sector, we directed our internal development towards positioning the *SICO* brand as a truly national brand. To guide consumers in their choice of colours and promote paint sales for our retail customers, we introduced a unique colour selection system integrated with an innovative display concept, which met with great success in the market. A number of new products were also developed, including "Chamois", a paint as technologically advanced as "Cashmere" that was successfully launched in early 2002. Thanks to the high profile of *SICO* products and to its reputation for excellent service, our Professional Sales sector has been chosen as supplier for several major construction projects in Quebec, Ontario and Alberta. On the whole, even though some of our retail customers experienced a decrease in sales due to lower demand, especially in the private label segment, our national brands posted excellent growth in 2001.

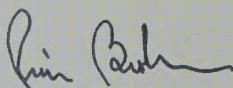
In September 2001, Sico took another step towards its goal of Canadian leadership with the acquisition of Bétonel Ltée, the third largest manufacturer of architectural coatings in Quebec. This dynamic, profitable and result-driven company adds a new component to our business with its network of specialized retail paint outlets strategically located throughout Quebec and in Ottawa. Besides consumers, Bétonel serves a customer base that is complementary to that of our Professional Sales sector in the professional painters market, which has been one of our key target segments for the past few years. Within Sico, Bétonel will continue to operate as a distinct business unit dedicated to the sale of *Bétonel* brand products. However, we have already achieved substantial synergies with regard to raw materials procurement. Other synergies will be created in the area of treasury management, not to mention that Bétonel will now be able to benefit from Sico's financial strength to pursue its development. In addition, we have begun to draw on the store management expertise of the Bétonel team, notably its President, Daniel Pellerin, who now sits on Sico's Management Committee, to improve the positioning and performance of our Hancock chain of outlets in the United States. Steps have been taken to raise Hancock's profile and substantially reduce its operating costs.

Fiscal 2001 gave rise to constructive developments for our industrial sector as well, including the integration of the business acquired from Chemcraft in December 2000, two new acquisitions, and a promising breakthrough in the North American aerospace sector. Sico has become the main supplier of aerospace coatings for the Canadian Department of National Defence, while also making its first sales in the United States. Although the economic slowdown strongly affected the specialized equipment market in the U.S., the acquisition of certain assets of Chemcraft made a positive contribution to Sico's earnings, which makes us enthusiastic about our performance in the context of an economic recovery. This acquisition provided us with excellent technologies that we are making available to our industrial customers in Canada, Mexico and, in the near future, in Europe. The 2001 acquisition of Blancomm's customers and coatings technologies in the railway sector has made our Sico-Becker joint venture the leading supplier for this industry in France and Belgium, while also enhancing its market potential in other European countries and Asia. To fully develop this potential, we have strengthened our control over Sico-Becker's development by appointing a general manager from within Sico's ranks. Furthermore, in May 2001, we made Pinturas Industriales Sicorel S.A. de C.V. a wholly-owned subsidiary of Sico. Despite its still modest size, this profitable, growing company is destined for a bright future in the important Mexican market for public transit and commercial transportation, as well as heavy equipment for agriculture and construction.

These past few years, the industrial sector has shifted its strategic focus to the development and marketing of metal coatings for the transportation industry. The next logical step for 2001 was to transfer its manufacturing operations to Sico's operations sector. This allows us to maximize operational synergies, while enabling our industrial sector to concentrate exclusively on its technological and commercial mission. In this respect, I would like to stress the outstanding work of our operations team: in addition to handling this transition, developing a number of new products and dealing with tough market conditions, they again managed to increase Sico's overall productivity, reduce unit production costs and improve the level of customer service.

Everything is set for Sico to post a record-breaking performance in 2002. We expect that the acquisition of Bétonel will generate, by itself, an additional sales growth of over 10% and add approximately \$0.25 to earnings per share. Our growth within the Canadian architectural paint market will also be favoured by the pursuit of our marketing efforts and *SICO* branding strategy, increased penetration of certain retail chains, and the introduction of new products, both in the retail market and the professional market. Our industrial sector is also in a solid position to increase its sales and profitability, owing to the gradual recovery of the North American specialized equipment market, its expansion in Europe and Mexico, and the further development of the railway and aerospace markets in North America.

To effectively meet the challenges of the expansion and globalization of our business, we have created two new positions on our management team. In January 2002, Mr. Pierre Dufresne, Vice-President, Sales and Marketing for the Retail sector, also became Sico's Executive Vice-President. As such, he will play an active role in achieving our strategic goals in all our target markets, including the pursuit of our acquisition program. It is also my pleasure to indicate that Mrs. Martine Bazinet has been named Sico's Vice-President, Legal Affairs. As well, I would like to welcome Mrs. Marie Letellier to the position of Vice-President, Human Resources. She succeeds Mr. Richard Côté, who retired in December 2001 after 35 years of service with Sico. I'd like to take this opportunity to thank him on behalf of the whole team. Richard was largely responsible for the healthy work environment and culture of excellence that prevail at Sico. It is largely to him that we owe the practical application of Sico's six core values: customer satisfaction, focus on performance, quality in all its forms, respect for employees, teamwork, and professional development. Finally, I would like to congratulate all the members of our team and welcome the new employees who have joined us since December 2000. I invite all of you to take to heart the values and objectives that will guarantee Sico's ongoing stability and success.



Pierre Brodeur
President and Chief
Executive Officer

March 2002

architectural sector



Retail market

The undisputed leader in Quebec, where *SICO*, *Crown Diamond*, *Château*, *Mulco*, *Corrostop*, *Formula* and *Polyprep* products account for more than 50% of the market, Sico is well positioned to continue expanding its share of the national market. Through its widespread distribution network of more than 2,000 retailers from coast to coast, today the *SICO* family of products is available to millions of consumers.

In 2001, Sico has again raised the profile of its national brands. The *SICO* brand made particular progress in Quebec, sustained by the ongoing success of "Cashmere" and the introduction of a new line of exterior stains in superstores, among other developments. In the rest of Canada, our national brands maintained their position and we recorded a significant increase in sales of *Mulco* caulking and adhesives following the introduction of several new products during the previous year and greater penetration of the industrial distributors sector.

Sico continues to expand its distribution network, even when demand is slowing down. In late 2001 and early 2002, we increased our penetration of large hardware and building materials chains in Prince Edward Island and Newfoundland, and of a superstore chain in Ontario. These new developments will help to drive sales growth for our national brand and private label products in the months ahead.

In line with our objective, we devoted considerable energy to enhancing *SICO*'s brand image last year. The great majority of our products now carry the Sico corporate signature, a guarantee of technological lead and reliability from the largest Canadian-owned manufacturer of architectural paints. To raise our profile as a national supplier, we have further standardized and harmonized the *SICO* product selection available in Quebec and the rest of Canada. As well, we have launched another television ad campaign in Quebec and redesigned our Web site (www.sico.com), adding new colours, new themes and new tools. We are pleased to add that our Web site, particularly its Virtual Decorator which gets close to 40,000 visitors a month, received the Golden MIM Award in the Web Site/Major Private Corporation category at MIM 2001, the Technological Innovations and Market Convergence Show held in Montreal in November 2001.

With its new INSPIRATION colour selection system, an industry first, Sico has once more confirmed its role as a trend-setter and leader in the world of colour. This concept consists of a collection of fully illustrated brochures with matching large colour chips, presenting a wide range of decors and colour scheme suggestions based on the latest trends identified by Sico. To support this concept, we developed and introduced the INSPIRATION line of display units, a versatile modular system that can be easily adapted to the various display requirements in our customers' paint departments. Featuring the INSPIRATION collection, the large colour chips and the complete line of *Sico* colours, this new merchandizing system was designed to enhance the consumers shopping experience and thereby promote our retail customers' paint sales. Launched in April 2001, this system was so well received that it has now been implemented by nearly one third of our customers across Canada. A version for the *Crown Diamond* line was also introduced in 2001.

Every year, Sico accentuates its technological edge by creating new products. The highlight of 2001 was the development of the "Chamois" line of high-end coatings. Like "Cashmere", "Chamois" offers unequalled quality in terms of ease of application and maintenance, durability and hiding power. However, with its slightly glossy finish, it is designed for special applications such as bathrooms, kitchens, doors and trims. This product was launched across Canada in February 2002. Among other innovations in 2001, we completed the repositioning of the *Crown Diamond* line with the introduction of "Crown Diamond Privilege", a line of 100% acrylic paints derived from a new formula.

With a solid base reinforced by new customers and new products, we begin fiscal 2002 determined to continue strengthening Sico's position as a truly national supplier. We will do this by vigorously promoting the *SICO* brand image, attracting consumers with superior products and marketing concepts, and further penetrating the home decorating retail sector outside Quebec. We will also strengthen our partnership with our current customers, especially those who are in expansion mode and in a position to support the *SICO* brand across Canada.



Professional Sales sector

The building maintenance and painting professionals sector is the fastest growing segment of the entire Canadian architectural paint industry.

With its line of *Sico Expert* paints and *Mulco* specialty products, Sico has carved out an enviable position in this market in Quebec through a network of authorized dealers, and in Ontario where we operate seven Pro Centre service centres in the Toronto and Ottawa areas. Sico's Professional Sales sector again showed solid growth in sales and market share in 2001. In addition to expanding our customer base in the building maintenance sector, mainly in the Montreal and Ottawa regions, we obtained good results from our incentive programs aimed at building the loyalty of existing customers and increasing the volume of their purchases. The year was an especially good one for the major construction projects sector in Canada.

Sico's Professional Sales sector is increasingly recognized for the high-quality support and training services provided by its project management team, and for the superiority of the *Sico Expert* and *Mulco* products, which have become industry standards. These strengths, combined with our proactive approach to projects in both planning and execution stages, were the reason that Sico was chosen as the supplier for a number of high-profile projects, including Montreal's Palais des Congrès, the largest building project in Quebec and third-largest in Canada in 2001, the Bombardier Aerospace plant in Mirabel, the Lake-Leamy Casino (Hull), the two towers of City Place next to Toronto's SkyDome, and the Westmount Centre in Edmonton. As well, our products were included in the renovation specifications for the Liquor Control Board of Ontario, many branches of which already feature *SICO* colours, while hundreds more are to be renovated in coming months.

In the industrial buildings sector, new eco-friendly, high-performance products have reached the market, including a high-hide water-based anti-rust paint that provides excellent weather resistance, and a quick-drying enamel designed for applications where production stoppage times are critical. Furthermore, our *Sico Expert* products have obtained the approval of Agriculture Canada for the food processing and retailing sector, which opens up an interesting growth avenue given the high maintenance requirements for these types of facilities and the current expansion of the major food retail chains across the country.

In 2002, Sico aims at sustaining a higher growth rate than its industry average by continuing to expand its customer base and build customer loyalty, and by developing new niches and new products. For one, we are well-positioned to benefit from upcoming renovation projects in the institutional sector, having notably signed a long-term agreement as official supplier to the *Regroupement des universités du Québec*.



Bétonel

Founded in 1959, Bétonel is the third largest manufacturer of architectural coatings in Quebec, where it also operates the largest network of stores exclusively dedicated to paint, related products and accessories. Bétonel has a history of steady growth and an enviable reputation for the quality of its products and services and the accessibility of its distribution network.

Bétonel has opened an average of two stores a year for the past ten years. At present, its network consists of 68 sales and service centres, including 33 corporate outlets, seven franchises and 28 authorized dealers. Established in all major regions of Quebec as well as in Ottawa, these stores are advantageously located for easy customer access.

Bétonel stands out for the quality of its service and the competence of its 200 employees, who are all given rigorous technical training. As well, the *Bétonel* brand enjoys strong market recognition thanks to the scope of the company's distribution network, its advertising campaigns, excellent price/quality ratio and attractive marketing of its products. In addition to interior and exterior latex and alkyd paints, Bétonel offers a comprehensive line of varnishes and floor finishing products, as well as various specialized coatings. These products are manufactured in Bétonel's ISO 9001-certified plant in Terrebonne.

Bétonel achieves approximately 70% of its sales in the professional painters market; the rest are direct-to-consumer sales. Since its professional customers include mainly residential building managers and self-employed painters, the Bétonel network provides interesting complementarity with Sico's Professional Sales sector. Together, these two units form a solid core to consolidate Sico's leadership in the professional painters market.

Now that it is part of the Sico group, and considering the potential that exists in its market, Bétonel is in a better position to accelerate its sales growth through new store openings, and to improve its profitability by taking advantage of the synergies now available in the areas of procurement and finance.

industrial sector



With a presence in 12 countries on three continents, Sico's Industrial sector has established itself as a world-class supplier in its field of excellence: environmentally-friendly, high-technology metal coatings for the transportation and specialized equipment industries.

Refocusing exclusively on this niche has allowed us to rapidly develop in-depth expertise in terms of both technology and marketing, which has earned Sico a sterling reputation as an expert in its target markets. Notably, in the space of a few short years, Sico has become the largest supplier of coatings for military aircraft in Canada, one of the most technologically demanding sectors in the entire transportation industry. During the past fiscal year, our aerospace sector has again expanded its client-base in the Montreal and Toronto areas, and established a presence on the West Coast of Canada and of the United States through a network of distributors and subcontractors for major aircraft manufacturers. In 2002, we intend to further penetrate the U.S. aerospace market in both the military and commercial sectors, and begin to develop the potential offered by the Mexican market.



In the public transit, commercial transportation and specialized equipment markets, we have strengthened our distribution networks in North America, especially in Quebec, Ontario and Western Canada, and we now offer Sico technologies to the customer base acquired from Chemcraft. Conversely, Chemcraft technologies are now offered to our Canadian and Mexican customers, and we are planning to soon make them available to the European customers of Sico-Becker. We expect that our performance in North America next year will be stimulated by this integration of our technology portfolio, by the addition of new major customers in the specialized equipment sector in the United States, and by the improvement of economic conditions in this market, where many of our customers were forced to cut back on production. Furthermore, we will benefit from the full contribution and control of our Mexican subsidiary, which is steadily increasing its presence in the public transit and commercial transportation sectors, as well as the farm machinery market.



Gamme BLANCOMME



As for the railway market in Europe, the acquisition of Blancommé's rail coatings business, which posted a sales increase of over 40% in 2001, positions Sico-Becker as the leading supplier in the railway industry in France and Belgium, and puts it in a stronger position to serve the major railway companies and manufacturers in Spain, Portugal, Germany and England. In addition to introducing some of our new technologies in Europe, we will bring to North America Blancommé's technologies that complement our own in order to further penetrate the North American railway industry. As well, Sico-Becker recently obtained additional contracts from the RATP (Régie Autonome des Transports Parisiens), which is planning to refurbish 3,000 metro cars over the next few years. Sico is also pursuing its penetration of the Asian market through Sico-Becker in France by supplying coatings for 300 luxury cars made in China and destined for the local market.

8.9% increase in sales

13.7% growth in net earnings

financial highlights

(in thousands of dollars, except per-share amounts and ratios)

Years ended in December	2001	2000	1999	1998	1997
Sales	224,347	205,944	213,097	205,241	194,656
Operating earnings before depreciation, amortization, interest, share in results of affiliated companies and income taxes	22,050	19,873	22,655	16,321	16,848
Earnings before amortization of consolidated goodwill	9,339	7,811	9,297	6,397	6,018
Net earnings	8,609	7,570	9,056	6,156	5,743
Working capital	29,306	33,598	33,471	24,395	19,033
Current ratio	1.74:1	2.08:1	2.09:1	1.70:1	1.52:1
Net fixed assets	40,408	38,820	32,173	34,876	35,775
Total assets	138,500	122,242	104,792	102,844	101,728
Long-term debt and current portion	25,702	30,196	15,000	15,044	20,185
Shareholders' equity	66,538	55,390	50,288	43,093	38,227
Total indebtedness net of cash	45,965	40,421	25,180	33,643	28,850
Total net indebtedness ratio	0.69:1	0.73:1	0.50:1	0.78:1	0.75:1
Weighted average number of common shares outstanding	5,183,676	5,127,799	5,132,676	5,108,385	5,044,279
Weighted average number of common shares outstanding on a diluted bases	5,407,711	5,279,776	5,444,254	5,397,768	5,316,985
Per common share:					
Earnings before amortization of goodwill	1.80	1.52	1.81	1.25	1.19
Fully diluted earnings before amortization of goodwill	1.73	1.48	1.71	1.19	1.13
Earnings	1.66	1.48	1.76	1.21	1.14
Fully diluted earnings	1.59	1.43	1.66	1.14	1.08
Books value	12.26	10.88	9.80	8.43	7.53
Sales	43.28	40.16	41.52	40.18	38.59
Dividends	0.40	0.38	0.32	0.32	0.32
Total indebtedness net of cash	8.47	7.94	4.91	6.58	5.68
Net earnings as a % of sales	3.8%	3.7%	4.2%	3.0%	3.0%
Return on average shareholders' equity	14.1%	14.3%	19.4%	15.1%	16.0%
Return on average total assets	6.6%	6.7%	8.7%	6.0%	5.8%
Share price					
- high	17.00	21.80	21.50	19.00	16.75
- low	12.00	12.20	15.85	10.50	8.00
- close	16.50	12.80	19.10	17.75	16.50
Trading volume (in thousands)	539	1,022	1,896	1,296	2,235

Some prior-year figures have been restated in accordance with the accounting treatment adopted for the current year.

Management’s discussion and analysis
of operating results and financial position

Preliminary Comment In fiscal 2001, Sico adopted the new accounting standards recommended by the Canadian Institute of Chartered Accountants (CICA) affecting Sections 1581, *Business Combinations*, and 3062, *Goodwill and Other Intangible Assets*. (See item 2 of the Notes to the Consolidated Financial Statements: “Summary of significant accounting policies; future accounting changes”, page 24.)

Operating Results For the fiscal year ended December 28, 2001, Sico’s sales increased by 8.9% or \$18.4 million to reach \$224.3 million, compared with \$205.9 million in 2000.

- Sales in the architectural sector amounted to \$184.6 million, up by \$8.4 million or 4.8% from the previous year. Besides the contribution of Bétonel Ltée (“Bétonel”) for the final quarter of fiscal 2001, this increase was also generated by internal growth, mainly in sales of national brand products in both the retail and professional markets. Sico also benefited from selling price increases introduced in certain market segments in mid-2000 and early 2001.
- The industrial sector increased its sales by \$10.0 million or 33.7% to a total of \$39.8 million. This growth stemmed mainly from the contribution of the metal coatings operations acquired from Chemcraft International, Inc. (“Chemcraft”) in December 2000. To a lesser degree, the sales consolidation of Pinturas Industriales Sicorel S.A. de C.V. (“Sicorel”), effective May 24, 2001, also contributed to the sales growth, as did the Company’s greater penetration of the North American aerospace market. For information purposes, excluding the wood coatings operations divested in December 2000 as part of the Chemcraft deal, sales for the industrial sector posted a 54% increase.

Earnings before depreciation, amortization, interest, share in the results of affiliated companies and income taxes (EBITDA) amounted to \$22.1 million, up 11.0% compared to EBITDA of \$19.9 million a year earlier. All business units contributed to this improvement except for our U.S. subsidiary Hancock Paint, Inc. (“Hancock”).

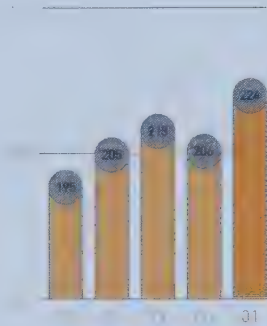
- EBITDA for the architectural sector increased \$1.5 million or 5.2%, due mainly to the strong performance of our national brand products, along with selling price increases introduced in 2000 and 2001 in some market segments, and a general improvement in productivity.
- EBITDA for the industrial sector was up by \$2.6 million or 164.4%. Despite the slowdown in the North American specialized equipment market, the operations acquired from Chemcraft contributed substantially to Sico’s profitability, while the consolidation of Sicorel’s results for the last seven months of the fiscal year also made a positive contribution to consolidated EBITDA. In general, the positioning of Sico’s industrial sector in the value-added metal coatings niche, notably in the aerospace and public transit sectors, had a positive impact on its profit margins.

Depreciation and amortization of fixed assets and deferred charges rose by 3.0% or \$0.1 million due mainly to the addition of the Brantford, Ontario, plant acquired from Chemcraft in December 2000, and the amortization of our new colour system for the retail market. Although average indebtedness was higher than in 2000, net financial expenses were down by \$0.3 million or 21.2%, thanks to lower interest rates and increased interest income.

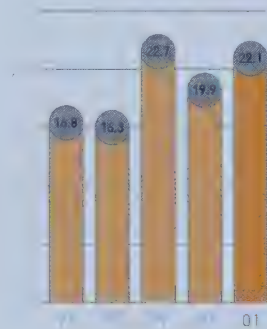
Earnings before share in the results of affiliated companies, income taxes and amortization of goodwill amounted to \$16.0 million, up 16.9% from the previous year. The effective tax rate stood at 41.5% compared with 42.2% in 2000, considering the recognition in 2000 of a provision for future contributions. Furthermore, the loss from our share in the results of affiliated companies was reduced by close to \$0.2 million, thanks to the improved profitability of Sico-Becker S.A.S. (“Sico-Becker”) and Sicorel, which was treated as an affiliated company until May 2001.

Sico posted earnings before amortization of goodwill of \$9.3 million or \$1.80 per share (\$1.73 diluted), for an increase of 19.6% over earnings before amortization of goodwill of \$7.8 million or \$1.52 per share (\$1.48 diluted) the previous year. After amortization of goodwill, which totalled \$730,000 (after taxes), net earnings amounted to \$8.6 million or \$1.66 per share (\$1.59 diluted) in 2001, up 13.7% from net earnings of \$7.6 million or \$1.48 per share (\$1.43 diluted) in fiscal 2000.

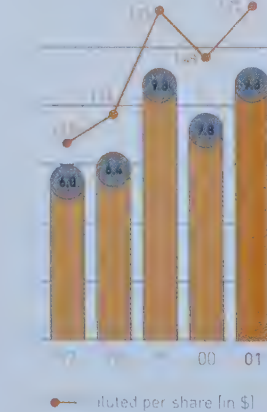
Sales



EBITDA
in millions



Earnings before amortization
of goodwill
in millions of \$



Management's discussion and analysis of operating results and financial position

The average weighted number of common shares outstanding rose from 5,127,799 (5,279,776 diluted) in 2000, to 5,183,676 (5,407,711 diluted) in 2001. During fiscal 2001, Sico issued 85,546 common shares upon the exercise of stock options held by officers of the Company, and 20,196 common shares under the stock purchase plan for employees, officers and directors. Moreover, on September 30, 2001, Sico financed part of the Bétonel acquisition by issuing 229,508 shares to the vendor.

In 2001, Sico achieved a 14.1% return on average shareholders' equity. If we excluded the share capital issued in the final months of the year as part of the Bétonel acquisition, this return would amount to 14.5%.

Principal Cash Flows and Financial Position In 2001, funds generated by operations amounted to \$15.1 million, up 73.8% from \$8.7 million a year earlier. In addition to net earnings, depreciation and amortization, these funds included a positive change of \$0.6 million in non-cash working capital items, notably with regard to accounts receivable, inventories and income taxes. Investing activities required total funds of \$15.4 million, mainly including:

- the purchase of \$2.6 million in new fixed assets;
- a cash consideration of \$7.5 million for business acquisitions, net of acquired cash balances;
- a \$3.2 million investment in Sico-Becker's capital; and
- a \$2.2 million investment in other assets, comprised mainly of capitalized costs related to the development of the new *SICO* and *Crown Diamond* colour systems.

On May 24, 2001, Sico acquired its partner's 51% interest in Sicorel for a cash consideration of \$0.3 million. On September 30, 2001, Sico acquired all of Bétonel's shares at a cost of \$10.9 million. This transaction was financed by a cash consideration of \$7.4 million and the issue of 229,508 shares at a unit price of \$15.25, for a total value \$3.5 million.

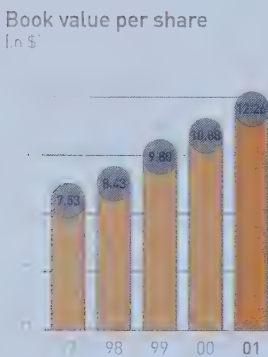
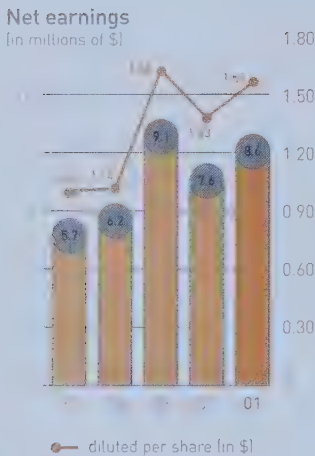
Among the major financing activities of the year, Sico repaid \$5.3 million in long-term debt (excluding Bétonel's \$2.8 million debt) and contracted \$8.9 million in new bank loans, mainly to finance the acquisition of Bétonel and the additional \$3.2 million investment in Sico-Becker. The Company paid its common shareholders dividends of \$2.1 million or \$0.40 per share. Finally, Sico collected \$1.1 million from issuing 105,742 treasury common shares to employees, officers and directors, and upon the exercise of stock options by officers. Sico did not redeem any shares under its normal course issuer bid program in 2001.

Cash outlays and inflows for fiscal 2001 used total funds of \$0.4 million. Consequently, on December 28, 2001, Sico had a bank overdraft of \$0.6 million compared to a bank overdraft of \$0.1 million on December 29, 2000.

At the end of fiscal 2001, working capital amounted to \$29.3 million for a current ratio of 1.7:1, compared to \$33.6 million and a current ratio of 2.1:1 a year earlier. This decrease in working capital is due mainly to the consolidation of the assets and current liabilities of Bétonel and Sicorel on their respective acquisition dates, and to the increase in bank loans.

The net value of fixed assets rose from \$38.8 million to \$40.4 million, due mainly to the acquisition of Bétonel, since capital expenditures were lower than depreciation costs for the year. The value of other assets went from \$17.4 million to \$24.7 million, this \$7.3 million increase being associated to Bétonel's and Sicorel's goodwill, the Bétonel trademark, part of the costs of the colour system, and the unrealized loss on foreign exchange. The increase in investments is mainly attributable to our additional investment in the Sico-Becker affiliated company.

Sico's shareholders' equity grew by 20.1% to \$66.5 million, or \$12.26 per common share, due to the year's net earnings and the issue of new capital. Long-term debt, including the current portion, rose from \$30.2 million for a debt/equity ratio of 0.55:1 as at December 29, 2000, to \$25.7 million for a ratio of 0.39:1 as at December 28, 2001. Adding preferred shares, bank loans, and bank overdrafts, total indebtedness went from \$40.4 million for a debt/equity ratio of 0.73:1 at the end of fiscal 2000, to \$46.0 million for a ratio of 0.69:1 at the end of fiscal 2001.



Management's discussion and analysis of operating results and financial position

Outlook, Requirements and Sources of Funds in 2002

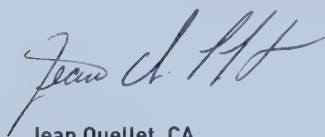
Sico aims at a sales growth of over 10% in 2002. The Bétonel acquisition will account for most of this growth. As well, Sico's internal growth will be favoured by the addition of new products and the development of new customers in the architectural sector, further penetration of the industrial sector in North America, and the gradual improvement of the economy, especially in the U.S. specialized equipment market.

A number of factors also point to significant growth in Sico's net earnings. First and foremost, Bétonel, which was acquired during the slow season of the year, will start contributing to Sico's profitability in 2002, especially as of the second quarter, which marks the beginning of the peak season in the architectural sector. We will then be in a position to take full advantage of the important synergies achieved with regard to procurement and certain other costs. Furthermore, early in fiscal 2002, we proceeded to a rationalization at Hancock, which should allow this chain to turn around its profitability. Certain initiatives were also taken recently to reduce costs in the industrial sector. We expect that this sector's profitability will continue improving, thanks to the development of its position in high-technology market niches, Sicorel's growing contribution and Sico-Becker's increasing critical mass in Europe. Finally, we will maintain strict cost control in all business units.

We have planned capital expenditures of approximately \$5 million for fiscal 2002, distributed among most of our business units. We will also repay \$5 million in long-term debt. We intend to maintain our dividend policy, and will assess the appropriateness of redeeming Sico shares under our normal course issuer bid. Funds generated by operations will be sufficient to meet these funding requirements. Furthermore, Sico intends to pursue its role as an industry consolidator by seeking additional targeted acquisitions in the architectural paint and industrial coatings markets.

Risks and Uncertainties As Sico continues to expand its operations outside Canada, a growing proportion of its business will be carried out in currencies other than the Canadian dollar. Sico strives to minimize the potential negative effects of exchange rate fluctuations through sound business practices. For the coming fiscal year, the Company expects to have slightly higher outlays than receipts in U.S. dollars. As is the case for its industry as a whole, Sico's performance is subject to the cyclical nature of the home improvement market, which accounts for most of its revenues. The Company tends to reduce this risk by diversifying its geographic presence in North America and by gradually expanding its business in the industrial applications sector. Furthermore, the world paint industry must contend with the growing concentration of suppliers of certain raw materials, which can lead to an upward trend in raw material prices. Aside from steadily increasing its buying power, Sico mitigates this risk by constantly improving its raw material supply and management practices. The Company does not foresee any significant increase in raw material prices in the short term.

Sico has implemented a contingency plan to protect itself from possible disasters or emergencies that could affect its operational sites (plants, warehouses, laboratories and technical services) or administrative units. This plan is regularly updated to reflect the Company's development.



Jean Ouellet, CA

Vice-President, Finance and Treasurer

March 2002

Management's Report

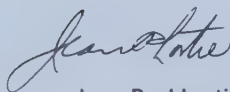
Related to the Consolidated Financial Statements

The consolidated financial statements of Sico Inc. and the financial information in this annual report are the responsibility of management and have been approved by the Board of Directors. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered to fairly present the financial position, results of operations and cash flows of the Company. As required, management has made informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. Furthermore, management has prepared financial information presented elsewhere in the annual report and has assured that it is consistent with that in the financial statements.

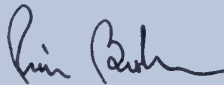
In meeting its responsibility for the integrity of the financial information provided in this annual report, management relies on the internal control system of the Company. The purpose of this system is to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and carried out in accordance with the support of management, and financial records are reliable for preparing the financial statements. No system of internal control can detect and prevent all errors or irregularities. However, in the opinion of management, the system in place provides an acceptable balance between the advantages it can offer and the related costs.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee, consisting solely of non-executive directors. The Committee meets periodically with management and with the external auditors to examine the activities of each party and the manner in which the respective responsibilities of each party are carried out. The external auditors have full access to the Committee, with and without management being present, to discuss the scope of their audit, and the adequacy of the internal control system and of the financial information. The Committee has examined the financial statements and has recommended their approval to the Board of Directors.

The external auditors appointed by the shareholders, Samson Bélair/Deloitte & Touche, Chartered Accountants, are responsible for independently auditing the financial statements in accordance with Canadian generally accepted auditing standards and expressing an opinion on these statements. Their report follows below.



Jean-Paul Lortie
Chairman of the Board



Pierre Brodeur
President and Chief Executive Officer

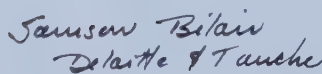
Auditors' report

To the Shareholders of Sico Inc.

We have audited the consolidated balance sheets of Sico Inc. as at December 28, 2001 and December 29, 2000 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 28, 2001 and December 29, 2000 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

February 19, 2002

Consolidated statements of earnings

Years ended December 28, 2001 and December 29, 2000
(in thousands of dollars except per share amounts)

	2001	2000
Sales	\$224,347	\$205,944
Cost of sales and operating expenses	202,297	186,071
Operating earnings before:	22,050	19,873
Depreciation and amortization (Note 12)	5,020	4,872
Financial expenses (Note 13)	1,049	1,332
	6,069	6,204
Earnings before share in results of affiliated companies, income taxes and amortization of goodwill	15,981	13,669
Share in results of affiliated companies	(14)	(167)
Earnings before income taxes and amortization of goodwill	15,967	13,502
Income taxes (Note 14)	6,628	5,691
Earnings before amortization of goodwill	9,339	7,811
Amortization of goodwill, net of income taxes	730	241
Net earnings	\$ 8,609	\$ 7,570
Weighted average number of outstanding common shares	5,183,676	5,127,799
Basic earnings per share before amortization of goodwill	\$1.80	\$1.52
Diluted earnings per share before amortization of goodwill	\$1.73	\$1.48
Basic earnings per share	\$1.66	\$1.48
Diluted earnings per share	\$1.59	\$1.43

Consolidated statements of retained earnings

Years ended December 28, 2001 and December 29, 2000
(in thousands of dollars)

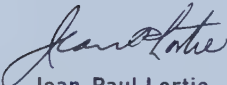
	2001	2000
Balance at beginning	\$41,384	\$36,614
Adjustment for change in accounting policy (Note 2)	–	357
Balance as restated	41,384	36,971
Net earnings	8,609	7,570
Dividends on common shares	(2,077)	(1,948)
Premium on share redemption (Note 11)	–	(1,209)
Balance at end	\$47,916	\$41,384

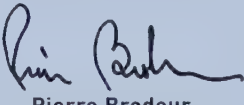
Consolidated balance sheets

As at December 28, 2001 and December 29, 2000
(in thousands of dollars)

	2001	2000
Assets		
Current assets		
Accounts receivable	\$ 22,975	\$ 22,715
Inventories (Note 4)	39,442	37,384
Prepaid expenses	6,614	4,634
	69,031	64,733
Long-term receivables (Note 5)	1,185	1,044
Investments	3,181	214
Fixed assets (Note 6)	40,408	38,820
Other assets (Note 7)	24,695	17,431
	\$138,500	\$122,242
Liabilities		
Current liabilities		
Bank overdraft	\$ 563	\$ 121
Bank loan (Note 8)	15,900	6,304
Accounts payable and accrued liabilities	16,981	17,598
Balance of purchase price, without interest	–	2,110
Income taxes	1,281	2
Current portion of long-term debt (Note 9)	5,000	5,000
	39,725	31,135
Long-term debt (Note 9)	20,702	25,196
Future income taxes	7,183	6,127
Deferred credits	552	594
Preferred Class B shares (Note 11)	3,800	3,800
	71,962	66,852
Shareholders' equity		
Capital stock (Note 11)	18,622	14,006
Retained earnings	47,916	41,384
	66,538	55,390
	\$138,500	\$122,242

Approved by the Board


Jean-Paul Lortie
Director


Pierre Brodeur
Director

Consolidated statements of cash flows

Years ended December 28, 2001 and December 29, 2000
(in thousands of dollars)

	2001	2000
Operating activities		
Net earnings	\$8,609	\$7,570
Adjustments for:		
Depreciation and amortization	5,020	4,872
Amortization of goodwill	823	271
Future income taxes	(18)	950
Share in results of affiliated companies	14	167
Other	9	200
Net change in non-cash working capital items (Note 16)	644	(5,341)
Cash flow from operating activities	15,101	8,689
Investing activities		
Acquisition of fixed assets	(2,623)	(3,474)
Business acquisitions net of cash acquired (Note 3)	(7,469)	(16,759)
Investments (Note 3)	(3,245)	-
Other assets	(2,180)	(1,182)
Other	99	310
Cash flow from investing activities	(15,418)	(21,105)
Financing activities		
Bank loan	8,921	14,036
Reduction in long-term debt	(8,085)	(1,804)
Issue of common shares	1,116	589
Redemption of common shares	-	(1,466)
Dividends on common shares	(2,077)	(1,948)
Cash flow from financing activities	(125)	9,407
Reduction in cash and cash equivalents	(442)	(3,009)
Cash and cash equivalents at beginning	(121)	2,888
Cash and cash equivalents at end	\$ (563)	\$ (121)
Supplementary information		
Interest paid	\$2,361	\$2,170
Dividends paid on preferred shares	\$ 249	\$ 273
Income taxes paid	\$5,293	\$8,216
Business acquisitions through issuance of capital stock (Note 3)	\$3,500	\$ -
Deferred charges arising from unrealized translation loss on long-term debt	\$ 702	\$ -

Notes to the consolidated financial statements

Years ended December 28, 2001 and December 29, 2000

1. Description of business

The Company, incorporated under Part IA of the *Companies Act* (Québec), manufactures and distributes paints and coatings principally in Canada.

The Company's financial year ends on the last Friday of December.

2. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and those of all its subsidiaries, which are wholly-owned.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include the bank overdraft.

Inventories

Raw materials are valued at the lower of cost and replacement value while finished goods are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially on an average cost basis. The cost of finished goods includes the laid-down cost of materials plus the applicable share of labour and overhead expenses chargeable to production.

Investments

Since November 10, 1998, the Company has held a 50% interest in Sico-Becker S.A.S., which gives it joint control of this entity. Given that Sico-Becker S.A.S. is in the start-up phase, interest was recorded at equity because there are no related assets or significant debts.

Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method, mainly at the following annual rates:

Land improvements	4% to 10%
Buildings	2 1/2% to 6 2/3%
Machinery and equipment	6 2/3% to 33 1/3%

Other assets

Other assets comprise goodwill, the trademark and deferred charges.

Goodwill represents the excess of the purchase price over the fair values of the net assets of the entities acquired at the respective dates of acquisition. Goodwill is amortized on a straight-line basis over its expected useful life of 20 years.

For business combinations recorded after June 30, 2001, the Company did not amortize the resulting goodwill, in accordance with the transitional recommendations of the Canadian Institute of Chartered Accountants (CICA) contained in Handbook Sections 1581, *Business Combinations*, and 3062, *Goodwill and Other Intangible Assets*. In addition, see "Future accounting changes", discussed below.

As part of a business acquisition, a value was assigned to the trademark, which was deemed to have an indefinite useful life because management expects that it will generate cash flows indefinitely. Therefore, the trademark is not amortized until its useful life is deemed to be no longer indefinite.

Notes to the consolidated financial statements

years ended December 28, 2001 and December 29, 2000

2. Summary of significant accounting policies (cont'd)

Other assets (cont'd)

Deferred charges, comprising principally the colour systems, are recorded at cost and amortized on a straight-line basis at rates varying from 10% to 33 1/3%. Deferred charges also include the unrealized translation loss, which is amortized over the remaining life of the debt on a straight-line basis.

Impairment of long-lived assets

The Company evaluates the carrying value of its long-lived assets, including goodwill and the trademark, on an ongoing basis. In order to determine whether an impairment exists, management considers the undiscounted cash flows estimated to be generated by those assets as well as other indicators. Any permanent impairment in the carrying value of assets is charged against earnings in the period an impairment is determined. See "Future accounting changes", discussed below, relating to goodwill and other intangible assets.

Stock-based compensation

The Company has a stock option plan, which is described in Note 11. No compensation expense is recognized for this plan when stock options are granted to employees when there is no intrinsic value. Any consideration paid by employees on exercise of stock options is credited to capital stock.

Research

Research expenses comprising mostly wages of employees involved in research, net of related tax credits, are charged to earnings in the year they are incurred.

Income taxes

On January 1, 2000, the Company adopted the recommendations of CICA Handbook Section 3465, *Income taxes*, which replaces the deferral method with the liability method of tax allocation. The Company applied the recommendations retroactively without restating prior years.

Future income taxes relate to the expected future tax consequences of differences between the carrying amounts of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

The change resulted in an increase of retained earnings and a decrease of future income tax liabilities by \$357,000 as at January 1, 2000.

Foreign currency translation

a) Canadian operations

Revenue and expenses denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rate prevailing at the balance sheet dates. Unrealized translation gains and losses are reflected in net earnings except for those on long-term debt which are deferred and amortized over the remaining life of the related obligation on a straight-line basis.

b) US subsidiaries

The accounts of the US subsidiaries, which are financially or operationally dependent on the parent company, are accounted for using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates and non-monetary assets and liabilities are translated at historical exchange rate. Revenue and expenses are translated at average rates for the period. Translation gains or losses of such subsidiaries are reflected in net earnings.

Notes to the consolidated financial statements

years ended December 28, 2001 and December 29, 2000

2. Summary of significant accounting policies (cont'd)

Employee future benefits

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. Pension costs and other retirement benefits earned by employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and life insurance costs. Pension plan assets are valued at fair value for the purpose of calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of the employees active at the date of the plan amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

Earnings per share

On January 1, 2001, the Company adopted the recommendations of CICA Handbook Section 3500, *Earnings per Share*. The revised section requires the use of the treasury stock method to compute the dilutive effect of potential common shares. Basic and diluted EPS figures for each of the years presented have been computed using the treasury stock method.

Future accounting changes

The CICA recently issued Handbook Sections 1581, *Business Combinations*, and 3062, *Goodwill and Other Intangible Assets*. The standards require that, effective July 1, 2001, all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with indefinite lives will no longer be amortized to earnings; instead, they will be tested for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting impairment will be charged to opening retained earnings. The Company is currently evaluating the impact of the adoption of the new standards, including the transitional impairment test, and therefore has not yet assessed their effect on its future consolidated net earnings and financial position.

The CICA recently issued Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. This section applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. Section 3870 sets out a fair value based method of accounting and is required for certain stock-based transactions, effective January 1, 2002, and applied to awards granted on or after that date. The Company's management is currently evaluating the impact of the adoption of the new recommendations, and therefore has not yet assessed the effect on its earnings.

Lastly, CICA Handbook Section 1650 on foreign currency translation has been amended to withdraw the requirement to defer and amortize unrealized exchange gains or losses on foreign currency denominated assets and liabilities effective January 1, 2002. The amendment will also require that all exchange gains and losses be recognized and disclosed in the statement of earnings. Management has determined that the adoption of this new standard will have no material impact on its earnings.

3. Business acquisitions

For all business acquisitions, the Company records the operating results of the acquired companies at their acquisition dates.

On May 24, 2001, the Company acquired a 51% interest from its partner in the Mexican company, Pinturas Industriales Sicorel S.A. de C.V. ("Sicorel"), for a cash consideration of \$303,000.

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

3. Business acquisitions (cont'd)

On September 30, 2001, the Company acquired all the outstanding shares of Bétonel Ltée ("Bétonel"), a paints and coatings manufacturer and distributor, for a total consideration of \$10,900,000.

The acquisitions were accounted for using the purchase method as follows:

(in thousands of dollars)	Bétonel	Sicorel	Total
Accounts receivable	\$ 3,090	\$490	\$ 3,580
Income taxes	(21)	116	95
Inventories	4,885	274	5,159
Prepaid expenses	255	19	274
Fixed assets	3,053	50	3,103
Other assets	2,149	–	2,149
Goodwill	4,201	28	4,229
Bank loan	(675)	–	(675)
Accounts payable and accrued liabilities	(2,295)	(423)	(2,718)
Long-term debt	(2,889)	–	(2,889)
Future income tax liabilities	(1,006)	(68)	(1,074)
	\$10,747	\$486	\$11,233
Cash position at the acquisition date	153	81	234
	\$10,900	\$567	\$11,467
Consideration			
Cash	\$ 7,400	\$303	\$7,703
Issuance of 229,508 common shares (Note 11)	3,500	–	3,500
Interest in Sicorel at equity	–	264	264
	\$10,900	\$567	\$11,467

On December 17, 2001, the Company subscribed to an additional \$3,245,000 of the capital of Sico-Becker S.A.S., in which it has a 50% interest.

On December 20, 2000, the Company acquired Chemcraft International, Inc.'s production facilities and business operations in the industrial metal coatings sector.

The acquisition was accounted for using the purchase method.

(in thousands of dollars)	
Inventories	\$ 1,629
Fixed assets	7,028
Goodwill	10,939
Accounts payable and accrued liabilities	(727)
	\$18,869
Consideration	
Paid in cash	\$16,759
Balance of purchase price, without interest	2,110
	\$18,869

4. Inventories

(in thousands of dollars)	2001	2000
Raw materials	\$ 3,666	\$ 5,722
Finished goods	35,776	31,662
	\$39,442	\$37,384

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

5. Long-term receivables

(in thousands of dollars)	2001	2000
Loans to officers for the purchase of outstanding shares, bearing interest at a rate of 5%, receivable over a maximum period of 10 years	\$1,049	\$1,035
Loan to an affiliated company, bearing interest at the rate of 6.2%, with no definite repayment terms	136	-
Other	-	9
	\$1,185	\$1,044

6. Fixed assets

(in thousands of dollars)			2001	2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and improvements	\$ 2,932	\$ 326	\$ 2,606	\$ 2,294
Buildings	27,347	8,480	18,867	18,329
Machinery and equipment	45,325	27,874	17,451	16,487
Properties for sale	1,484	-	1,484	1,710
	\$77,088	\$36,680	\$40,408	\$38,820

Buildings available for sale are valued at estimated net realizable value and no depreciation is computed on these buildings.

7. Other assets

(in thousands of dollars)			2001	2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Deferred charges				
Colour systems	\$ 2,125	\$ 310	\$ 1,815	\$ 512
Other	3,999	1,830	2,169	2,310
Unrealized translation loss	702	115	587	-
	6,826	2,255	4,571	2,822
Trademark	2,125	-	2,125	-
Goodwill	20,588	2,589	17,999	14,609
	\$29,539	\$4,844	\$24,695	\$17,431

8. Bank loan

The bank loan is governed by the borrowing agreements described in Note 9.

During the year ended December 29, 2000, \$17 million of the loan was converted into long-term debt.

9. Long-term debt

(in thousands of dollars)	2001	2000
Bank loans of which an amount of \$10,000,000 is in US dollars (US\$8,800,000 in 2000), bearing interest at rates varying from 2.9% to 3.7%, repayable in quarterly instalments of \$1,250,000	\$25,702	\$30,196
Current portion	5,000	5,000
	\$20,702	\$25,196

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

9. Long-term debt (cont'd)

Estimated principal payments required in the forthcoming years are as follows:

(in thousands of dollars)

2002	\$ 5,000
2003	\$20,702

The loan agreements contain covenants pertaining mainly to securities which may be given, long-term assets which may be disposed of, and financial ratios which are to be attained so that the Company is not required to give specific securities.

10. Financial instruments

Fair value

At year-end, the estimated fair values of cash and cash equivalents, accounts receivable, bank overdraft, bank loan and accounts payable and accrued liabilities approximate their respective carrying values.

The estimated fair values of long-term debt is not significantly different from it's carrying value.

The Company does not hold or issue financial instruments for trading purposes.

Credit risk

Credit risk concentration with respect to trade receivables is limited due to the Company's large client base.

11. Capital stock

a) Authorized

Preferred shares, without par value

An unlimited number of Class A shares, non-voting except upon default of payment of at least eight quarterly dividends, issuable in series, bearing the features stated in articles of amendment to be authorized by by-law.

1,381,819 Class B preferred shares, voting, non-participating, non-cumulative dividend subordinated to the dividend on common shares, equal to the lesser of 10% of paid-in value and the amount of dividends paid on common shares, redeemable or retractable at average paid-in value. For the years 1997 to 2001, the holder, a Board member, has agreed to reduce the dividend to the average prime rate for the month preceding the declaration of the dividend, plus 0.05%.

An unlimited number of common shares, without par value

(in thousands of dollars)

	2001	2000
Issued		
5,425,747 Common shares (5,090,497 in 2000)	\$18,622	\$14,006
1,381,819 Class B preferred shares, redeemable, classified as liabilities	\$ 3,800	\$ 3,800

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

11. Capital stock (cont'd)

b) Summary of common share transactions:

(in thousands of dollars)	Number	Amount
Shares issued, December 31, 1999	5,133,029	\$13,674
Exercise of stock options	31,800	309
Stock purchase plan for employees, executives and directors	20,568	280
Redemption of shares	(94,900)	(257)
Shares issued, December 29, 2000	5,090,497	14,006
Exercise of stock options	85,546	788
Stock purchase plan for employees, executives and directors	20,196	328
Issued as consideration for business acquisitions	229,508	3,500
Shares issued, December 28, 2001	5,425,747	\$18,622

During the year ended December 29, 2000, the Company redeemed 94,900 common shares for \$1,466,000 and recorded a share redemption premium of \$1,209,000 against retained earnings.

c) Stock option plan

Under the stock option plan for senior management of the Company and its subsidiaries, the Board of Directors may, at its discretion, grant certain officers and designated executives options to purchase common shares of the Company. The exercise price is established by the Board of Directors but may not be lower than the closing price of a regular lot of the Company's common shares on the Toronto Stock Exchange on the last trading day preceding the grant date. Options generally vest one to ten years from the date of grant and must be exercised within a 10-year period, except in the event of retirement, termination of employment or death. At year-end, 536,424 common shares have been reserved for issuance under the stock option plan.

The following table presents information concerning all stock options granted by the Company for the years ended December 28, 2001 and December 29, 2000.

	2001		2000	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding at beginning	621,970	\$10.07	654,783	\$10.05
Exercised or forfeited	(85,546)	9.21	(32,813)	9.63
Outstanding at end	536,424	\$10.21	621,970	\$10.07

The outstanding stock options granted to certain members of senior management of the Company at December 28, 2001, are as follows:

Options issued	Options exercisable	Weighted average exercise price per share	Remaining contractual life (years)
44,321	44,321	\$10.50	1
33,938	33,938	13.75	2
20,400	20,400	10.00	3
26,484	26,484	8.87	4
39,637	39,637	6.55	5
200,000	200,000	8.30	5
73,000	73,000	10.50	6
66,603	66,603	13.25	6
14,844	8,906	16.00	8
17,197	10,318	17.50	8
536,424	523,607	\$10.21	5

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

11. Capital stock (cont'd)

d) Stock purchase plan for employees, executives and directors

This stock purchase plan was set up to allow the employees, executives and directors of the Company and its subsidiaries to purchase shares of the Company's capital stock. The subscription price of the common shares is equal to the average market closing price during the last five days of trading prior to the specified annual date. A maximum of 25,000 shares are offered annually under the plan with a cumulative total of 250,000.

e) Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 28, 2001 and December 29, 2000.

(in thousands of dollars)	2001	2000
Numerator:		
Net earnings	\$8,609	\$7,570
Denominator:		
Denominator for basic earnings per share - weighted average number of shares	5,183,676	5,127,799
Dilutive effect of senior management stock options	224,035	151,977
Denominator for diluted earnings per share - weighted average shares and assumed conversions	5,407,711	5,279,776
Basic earnings per share	\$1.66	\$1.48
Diluted earnings per share	\$1.59	\$1.43

12. Depreciation and amortization

(in thousands of dollars)	2001	2000
Fixed assets	\$3,889	\$3,687
Deferred charges	1,173	1,227
Deferred credits	(42)	(42)
	\$5,020	\$4,872

13. Financial expenses

(in thousands of dollars)	2001	2000
Interest on long-term debt	\$1,356	\$1,565
Other interest	534	587
Dividends on preferred Class B shares	249	273
Cash discounts	(1,090)	(1,093)
	\$1,049	\$1,332

14. Income taxes

As described in Note 2, the Company adopted the recommendations of CICA Handbook Section 3465, *Income Taxes*, effective January 1, 2000, without restating prior years.

The income tax provision for 2001 and 2000, is as follows:

(in thousands of dollars)	2001	2000
Current income taxes	\$6,557	\$4,713
Future income taxes	71	978
	\$6,628	\$5,691

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

14. Income taxes (cont'd)

The Company's effective income tax rate is calculated as follows:

	2001	2000
Combined income tax rate	38.4%	39.2%
Increase (decrease) in rate resulting from:		
Manufacturing and processing profits deduction	(3.5)	(4.0)
Dividends on preferred shares	0.5	0.8
Non-deductible expenses	0.9	1.1
Tax losses of US subsidiaries	4.9	2.3
Other	0.3	2.8
Effective income tax rate	41.5%	42.2%

At year-end, the future income taxes are as follows:

(in thousands of dollars)	2001	2000
Future income tax assets		
Unrealized tax losses ⁽¹⁾	\$4,832	\$4,258
Valuation allowance	(4,832)	(4,258)
	\$ -	\$ -
Future income tax liabilities		
Fixed assets	\$4,249	\$4,252
Goodwill	1,070	965
Other assets	2,065	996
Other	(201)	(86)
	\$7,183	\$6,127

⁽¹⁾ As at December 28, 2001, the US subsidiaries have approximately US\$12,551,000 in tax losses. These losses may be carried forward to reduce taxable income up to the year 2021. A valuation allowance has been recorded against the aggregate of this tax benefit.

15. Research

Research expenses amount to \$3,476,000 for the year (\$3,022,000 in 2000). Some of these expenses qualify for tax credits of \$330,000 (\$339,000 in 2000), which are applied against these expenses.

16. Net change in non-cash working capital items

(in thousands of dollars)	2001	2000
Accounts receivable	\$3,320	\$ 388
Inventories	3,101	(2,282)
Prepaid expenses	(1,706)	157
Accounts payable and accrued liabilities	(3,335)	(99)
Balance of purchase price	(2,110)	-
Income taxes	1,374	(3,505)
	\$ 644	\$(5,341)

17. Commitments

The long-term operating leases for premises and equipment as well as other commitments outstanding as at December 28, 2001, comprise the following annual minimum payments and contain the usual clauses pertaining to taxes, insurance and other expenses:

(in thousands of dollars)

2002	\$3,746
2003	\$3,149
2004	\$2,080
2005	\$1,315
2006	\$ 518

Notes to the consolidated financial statements
years ended December 28, 2001 and December 29, 2000

18. Employee future benefits

The Company and its subsidiaries maintain primarily defined benefit pension plans for most of their employees. The other plans relate to other retirement benefits, primarily life insurance, the Company offers its employees.

a) Information about the Company’s defined benefit plans, in aggregate, is as follows:

	Pension plans		Other plans	
(in thousands of dollars)	2001	2000	2001	2000
Accrued benefit obligation				
Balance at beginning	\$46,136	\$43,767	\$ 828	\$ 701
Service cost	2,442	1,888	24	20
Benefits paid	(2,694)	(2,705)	(59)	(55)
Interest cost	3,344	3,186	53	50
Experience loss	5,171	–	–	112
Balance at end	\$54,399	\$46,136	\$ 846	\$ 828
Plan assets				
Fair value at beginning	\$54,970	\$48,508	\$ –	\$ –
Contributions	1,428	1,344	59	55
Benefits paid	(2,694)	(2,705)	(59)	(55)
Actual return on plan assets	2,584	7,823	–	–
Fair value at end	\$56,288	\$54,970	\$ –	\$ –
Funded status				
Plan surplus (deficit)	\$ 1,889	\$ 8,834	\$(846)	\$(828)
Unamortized net actuarial loss (gain)	(1,571)	(8,442)	708	762
Accrued benefit asset (liability)	318	392	(138)	(66)
Valuation allowance	(715)	(671)	–	–
Accrued benefit liability, net	\$ (397)	\$ (279)	\$(138)	\$ (66)

The average remaining service periods of active employees covered by the pension plans varies from 13.7 to 14.8 years.

b) The following information pertains to underfunded plans at year-end:

	Pension plans		Other plans	
(in thousands of dollars)	2001	2000	2001	2000
Accrued benefit obligation	\$16,356	\$2,450	\$ 846	\$ 828
Fair value of plan assets	11,550	–	–	–
Funding deficit	\$(4,806)	\$(2,450)	\$(846)	\$(828)

c) The significant actuarial assumptions adopted in measuring the Company’s expenses and accrued benefit obligations are as follows:

	Pension plans		Other plans	
	2001	2000	2001	2000
Discount rate	6.5%	6.8%	6.5%	6.5%
Expected long-term rate of return on plan assets	7.4%	7.4%	–%	–%
Rate of compensation increase	4.7%	4.0%	3.5%	3.5%

Notes to the consolidated financial statements

years ended December 28, 2001 and December 29, 2000

18. Employee future benefits (cont'd)

d) The net expense recognized for 2001 and 2000 is as follows:

(in thousands of dollars)	Pension plans		Other plans	
	2001	2000	2001	2000
Net benefit plan expense				
Current service cost	\$1,596	\$1,064	\$ 24	\$ 20
Interest cost	3,344	3,186	53	50
Expected return on plan assets	(4,044)	(3,565)	-	-
Amortization of transitional obligation	(286)	(286)	51	51
Amortization of actuarial loss	-	24	3	-
Adjustment of the valuation allowance on accrued benefit asset	44	(211)	-	-
	\$ 654	\$ 212	\$131	\$121

19. Segmented information

The Company has two business units organized by product. The Company assesses the performance of the business units based on the following items: sales; operating earnings before depreciation and amortization, interest, share in results of affiliated companies and income taxes; and operating earnings before interest, share in results of affiliated companies, income taxes and amortization of goodwill. Each business unit, except for the Head office segment, includes activities related to manufacturing, sales and distribution of paints and coatings. Management of cash and cash equivalents as well as other activities related to the corporate strategies with regard to manufacturing and market development are part of the Head office segment. The allocation of the expenses of this segment would not assist in the evaluation of the contribution of the other segments.

(in thousands of dollars)	Architectural	Industrial	Head Office	Total
2001				
Sales	\$184,583	\$39,764	\$ -	\$224,347
Operating earnings before depreciation and amortization, interest, share in results of affiliated companies and income taxes	29,435	4,120	(11,505)	22,050
Depreciation and amortization	3,119	765	1,136	5,020
Operating earnings before interest, share in results of affiliated companies, income taxes and amortization of goodwill	26,316	3,355	(12,641)	17,030
Total assets	94,299	39,166	5,035	138,500
2000				
Sales	\$176,197	\$29,747	\$ -	\$205,944
Operating earnings before depreciation and amortization, interest, share in results of affiliated companies and income taxes	27,971	1,558	(9,656)	19,873
Depreciation and amortization	2,718	479	1,675	4,872
Operating earnings before interest, share in results of affiliated companies, income taxes and amortization of goodwill	25,253	1,079	(11,331)	15,001
Total assets	81,534	35,603	5,105	122,242

Geographic information

(in thousands of dollars)	Canada		Other Countries		Total	
	Sales	Assets	Sales	Assets	Sales	Assets
2001	\$203,845	\$108,311	\$20,502	\$30,189	\$224,347	\$138,500
2000	\$191,449	\$93,095	\$14,495	\$29,147	\$205,944	\$122,242

20. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2001.

Directors

Jean-Paul Lortie ⁽¹⁾⁽³⁾

Chairman of the Board
Sico Inc.

Pierre Brodeur ⁽¹⁾

President and Chief Executive Officer
Sico Inc.

Jean-Paul Barré ⁽²⁾

Vice-Chairman of the Board
and President
Lassonde Industries Inc.

Normand Bastien, CA ⁽³⁾

Treasurer
159585 Canada Inc.

André Julien

Management Consultant

Pierre LaRue, c.r. ⁽¹⁾⁽³⁾

Counsel
Desjardins Ducharme Stein Monast

Anièle Lecoq

Management Consultant

Denise Lortie, CA ⁽¹⁾⁽²⁾

Vice-President
Gosselin-Lortie Group,
Sport Experts franchisee

Pierre Martin ⁽¹⁾

President and Chief Executive Officer
Alstom Canada Inc.

Yves Rheault ⁽²⁾

Vice-Chairman of the Board
Vice-President, Business Development
Boralex Inc.

⁽¹⁾ Member of the Executive Committee

⁽²⁾ Member of the Audit Committee

⁽³⁾ Member of the Human Resources and
Corporate Governance Committee

Officers

Jean-Paul Lortie ⁽¹⁾

Chairman of the Board

Pierre Brodeur ⁽¹⁾⁽²⁾

President and Chief Executive Officer

Martine Bazinet ⁽¹⁾⁽²⁾

Secretary and
Vice-President, Legal Affairs

Denis Blanchette ⁽¹⁾

Vice-President and General Manager,
Industrial Products Division

Claude Brosseau ⁽¹⁾

Vice-President,
Professional Sales

Pierre Dufresne, CA ⁽¹⁾

Executive Vice-President
Vice-President, Sales and Marketing,
Retail Sector

Yves Gosselin ⁽¹⁾

Vice-President, Operations

Marie Letellier ⁽¹⁾

Vice-President,
Human Resources

Jean Ouellet, CA ⁽¹⁾⁽²⁾

Vice-President, Finance and Treasurer

Daniel Pellerin ⁽²⁾

President, Bétonel Ltée
(subsidiary of the Company)

⁽¹⁾ Sico Inc.

⁽²⁾ Bétonel Ltée

Corporate Information for Shareholders and Investors

Administration

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Longueuil, Quebec
J4G 1E5
Telephone: (514) 527-5111
Fax: (450) 651-1257

Head Office

3280 Sainte-Anne Boulevard
Beauport, Quebec
G1E 3K9

Corporate Web Site

www.sico.com

Other Web Sites:

www.betonel.com

Listing

The common shares of the Company
are listed on the Toronto Stock Exchange
under the ticker symbol SIC with a
CUSIP number 82585G 10 5.

Transfer Agent and Registrar

General Trust of Canada
Montreal, Quebec

Auditors

Samson Bélair/Deloitte & Touche
Montreal, Quebec

Financial Communications

Lefebvre Financial
Communications Inc.

Annual Information Form

Shareholders may obtain a copy
of the annual information form
by writing to the General Counsel
of Sico Inc.

Annual General Meeting

May 14, 2002, 10:00 a.m.
Hotel Delta Centre-Ville
Régence C Room
777 University Street
Montreal, Quebec

*Ce rapport est également disponible
en français.*

